

Task 8:

Provide Clarity and Recommendations on PES Program Design Options

Discussion with PES Working Group

February 1, 2022

Practice-based vs. Performance-based

➤ Practice-based program

➤ Pros:

- Simple: Checklist or menu of options
- Low cost: Reduced transaction cost
 - Observing practices probably less costly than measuring soil health
- More certainty for farmer: do practice(s), get paid

➤ Cons:

- Less certainty for environment: Cost-effectiveness not known
 - Huge variation in outcomes from a practice
- Prescriptive: Less flexibility reduces innovation

- Does not differ greatly from current conservation programs

Practice-based vs. Performance-based

- Performance-based program
 - Pros:
 - Measured outcomes:
 - Greater flexibility
 - Can increase motivation to achieve goal
 - Can increase public confidence in program
 - Are more attractive to environmental markets
 - Program impact more clear (measurable cost-effectiveness)
 - Program could complement current cons. programs
 - Cons:
 - More complicated to design and administer
 - Higher costs: quantification requires time and expense
 - Farmer benefit not certain (cost > payment , no yield gain)

Points To Keep In Mind

- Wide variety of perspectives on WG for many issues
 - Consensus will need to be built
- Finalized program can only emerge after pilot-testing
 - Suggested process:
 - WG creates consensus around general program design
 - WG identifies necessary next steps (e.g. adaptation of CASH tool)
 - Pilot-test program
 - Collect participant feedback
 - Identify problems and uncover further decision points
 - Make adaptations
 - Measure full costs and estimate full benefits
- Finalize PES program

Summary of Design Issues

- Quantification of outcomes
 - CASH-type soil health score
 - Soil sampling protocol needs to be determined
 - Should include some measure of biodiversity
 - WG needs to determine what level(s) of biodiversity
 - Decide which measures and weighting in overall soil health score
 - Sampling every third year will cost less than every year

Summary of Design Issues

- Eligibility
 - Any Vermont farm in compliance and good standing
 - Enrolling individual fields will cost less, but be less holistic
 - Idea: Allow individual fields, but whole farm within some time frame?
 - Cost-share program participants should be eligible
 - Not a double-dip to get cost-share for practices and payment for SH outcome?

Summary of Design Issues

- Payment structure
 - Paying for improvement in SH score:
 - More cost-effective (\$ for improvements only)
 - Hopefully increased SH score = increased productivity/profit
 - If program funding is eliminated, field management does not revert
 - Paying for meeting SH threshold:
 - More fair to early adopters
 - Less cost-effective
 - Favored two-pronged approach:
 - Pay for improvements and meeting threshold

Summary of Design Issues

- Monitoring and verification
 - Adds to transaction costs
 - Can boost public and market confidence
 - Who takes soil samples?
 - Farmer, TSP, Objective 3rd party?
 - Are practices monitored?

Contact Info

Jon Winsten

Winsten.VT@gmail.com

(802) 343-3037